

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE

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March 1, 2012

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF) CERTIFICATE OF NEED APPLICATION NO. 11-23
Castle Medical Center	
Applicant	DECISION ON THE MERITS

DECISION ON THE MERITS

The State Health Planning and Development Agency (hereinafter "Agency"), having taken into consideration all of the records pertaining to Certificate of Need Application No. 11-23 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee, the Certificate of Need Review Panel and the Statewide Health Coordinating Council, the Agency hereby makes its Decision on the Merits, including findings of fact, conclusions of law, order, and written notice on Certificate of Need Application No. 11-23. Where appropriate, Findings of Fact shall operate as Conclusions of Law, and Conclusions of Law shall operate as Findings of Fact. As many of the criteria for CON are interrelated, each of the criteria and subheadings within the Findings of Fact shall be deemed to incorporate and include all other Findings of Fact to the extent relevant.

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FINDINGS OF FACT

- 1. This is an application for a Certificate of Need ("Cert") for the establishment for the establishment of Open Heart Surgery services, at 640 Ulukahiki Street, Kailua, Hawaii, at a capital cost of \$3,000,000.
- 2. The applicant, Castle Medical Center is a non-profit corporation.

- 3. The Agency administers the State of Hawaii's Certificate Program, pursuant to Chapter 323D, Hawaii Revised Statutes (HRS), and Title 11, Chapter 186, Hawaii Administrative Rules (HAR).
- 4. On December 30, 2011, the applicant filed with the Agency, a Certificate of Need application for the establishment for the establishment of Open Heart Surgery services, at 640 Ulukahiki Street, Kailua, Hawaii, at a capital cost of \$3,000,000 (the "Proposal"). On January 4, 2012 and January 13, 2012, the applicant submitted additional information. On February 2, 2012, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #11-23.
- 5. The period for Agency review of the application commenced on February 9, 2012, the day notice was provided to the public pursuant to 11-186-39 HAR.
- 6. The application was reviewed by the Certificate of Need Review Panel at a public meeting on February 16, 2012. The Panel voted 5 to 0 with one abstention in favor of recommending approval of the application.
- 7. The application was reviewed by the Oahuwide Certificate of Need Review Committee at a public meeting on February 21, 2012. The Committee voted 4 to 0 in favor of recommending approval of the application.
- 8. The application was reviewed by the Statewide Health Coordinating Council at a public meeting on February 23, 2012. The Council voted 10 to 0 in favor of recommending approval of the application.
- 9. This application was reviewed in accordance with Section 11-186-15, HAR.
- 10. Section 323D-43(b), HRS states:
 - "(b) No certificate of need shall be issued unless the state agency has determined that:
 - (1) There is a public need for the facility or service; and
 - (2) The cost of the facility or service will not be unreasonable in the light of the benefits it will provide and its impact on health care costs."
- 11. Burden of proof. Section 11-186-42, HAR, provides:

"The applicant for a certificate of need or for an exemption from certificate of need requirements shall have the burden of proof, including the burden of producing evidence and the burden of persuasion. The degree or quantum of proof shall be a preponderance of the evidence."

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FINDINGS OF FACT CERTIFICATE OF NEED CRITERIA

A. REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN

- 12. The applicant states that "This proposal will advance the SHCC's priorities relating to promoting and supporting the long-term viability of the health care delivery system, maintaining overall access to quality health care at a reasonable cost, and striving for equitable access to health care services. Cardiovascular disease is the leading cause of mortality in Hawai'i. The DOH reported that in 2005 alone, the total hospital discharges for coronary heart disease was 6,101, with 2,940 discharges for AMI. The average age of death for patients with significant CVD is between 60 85 years of age. When CVD is left untreated or treatment is postponed, CVD may result in repeat hospitalizations, necessitate costly nursing home care or result in premature mortality. By improving access to cardiac surgical treatment, the Program will encourage patients to seek, rather than postpone, cardiac surgical treatment. This will thereby support the long-term viability of the health care delivery system by contributing to the overall lowering of health care costs in Hawai'i."
- 13. The applicant states that "The proposed Program will also promote equitable access to health care services by alleviating gaps in cardiac surgery services. On December 21, 2011, HMC announced that its cardiac catheterization service and open heart team would terminate effective December 22, 2011, at 12 midnight... The closure of HMC-East will seriously impact the accessibility of open heart surgery throughout O`ahu, including Leeward O`ahu and the `Ewa plain. This proposal will allow Castle to provide comprehensive cardiac surgery service to residents of Windward O`ahu."
- 14. The applicant states that "The proposed Program will also assist Oahu in retaining the health care workforce necessary to enable access to the appropriate level of care in a timely manner. The closure of HMC will leave over 900 people jobless, resulting in a significant drop in the number of employed health care workers specifically trained in various specialties and levels of care may force some to seek employment outside Hawaii. The Program will provide job opportunities to HMC-East cardiac trained health care professionals who now face unemployment and keep these members of Hawaii's health care workforce in Hawaii."

- 15. The applicant states that "This proposal will also advance the Windward SAC priority of having adequate access to and from facilities of care and the West O`ahu SAC priorities of improving and increasing access to acute care, critical care, specialty care and emergency care options. Individuals experiencing an acute myocardial infarction ("AMI") require immediate emergency medical attention, which may include emergency cardiac surgery. When every second and minute are crucial to survival, transportation from Windward or Leeward O`ahu to downtown Honolulu for an emergency open heart surgery could involve a significantly longer drive time due to congested traffic conditions than would transportation to Castle and therefore raise a greater risk of death to patients suffering from an AMI. By making acute cardiac care available more quickly, this Program will improve the quality of care available to residents of the Targeted Service Area as well as the Leeward side of O`ahu."
- 16. The applicant states that "The State of Hawai`i Health Services and Facilities Plan ("HSFP") states that prior to the establishment of a new open heart surgery unit/service, the minimum annual utilization for each provider in the service area should be 350 adult or 130 pediatric open heart operations per year, and the utilization of the new service should be projected to meet the minimum utilization rate of at least 200 adult or 100 pediatric open heart operations by the third year of operation."
- 17. The applicant states that "Data from Hawai' i Health Information Corporation ("HHIC") shows that for the 12-month period ending in May, 2011, current providers performed the following numbers of open heart procedures.

Provider	Number of Cardiac Surgeries Performed
HMC-East	159
Kuakini Medical Center	123
Queen's Medical Center	491
Straub Clinic & Hospital	275"

- 18. The applicant projects that by the third year of operation, it will perform 152 open heart procedures.
- 19. The applicant states that "Although this proposal falls somewhat short of the threshold case volume established by the HSFP, the shortfall is insubstantial in light of the fact that this proposal meets the criteria for suboptimal utilization."
- 20. The applicant states that "The HSFP states that utilization thresholds may be modified to allow for suboptimum utilization if a proposal's benefits clearly outweigh the costs to the community of duplicating or under-using services,

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facilities or technologies. The HSFP further states that benefits may include improved access for the service area combined with significant improvements in quality of care. Thresholds may also be modified to incorporate current and best clinical practices."

- 21. The applicant states that "Individuals experiencing an acute myocardial infarction ("AMI") require immediate emergency medical attention which may include emergency cardiac surgery. When every second and minute are crucial to survival, transportation from Windward or Leeward O`ahu to downtown Honolulu for an emergency open heart surgery could involve a significantly longer drive time due to congested traffic conditions than would transportation to Castle and therefore raise a greater risk of death for patients suffering from AMIs. By making emergency care available more quickly, this Program will improve the quality of care available to residents of the Targeted Service Area as well as the Leeward side of O`ahu."
- 22. The applicant further states that "The Program will also facilitate the implementation of current and evidenced-based best clinical practices, which are in compliance with standards established by The Joint Commission, the Centers for Medicare and Medicaid Services, Hawai`i Medical Service Association and John Hopkins University, to ensure that patients receive the highest quality of care and achieve the best clinical outcomes possible. In addition, individuals diagnosed with coronary artery disease with multivessel involvement are recommended to receive open heart surgery for a CABG and a heart valve replacement if the patient has a concomitant valvular disease... Postponement of the recommended surgery can lead to acute cardiac incidents with resulting tissue ischemia, multi-organ system involvement, myocardial infarction and ultimately death. Making cardiac surgery services easily accessible to these patients is essential to ensuring that they receive this needed care."
- 23. The applicant states that "...in addition to open heart surgery, the improved technical capabilities that will result from implementation of this proposal will enhance Castle's ability to provide a wider array of percutaneous coronary intervention ("PCI") procedures and vascular surgeries than can now be performed at the hospital. Accordingly, the Program will allow Castle to provide comprehensive cardiac surgery capability, with the exception of heart transplants, to residents of Windward O`ahu and others displaced from HMC-East. In addition, the Program will provide support to Castle's existing Interventional Cardiac Catheterization Lab."
- 24. The Agency finds that this criterion has been met.

B. <u>REGARDING NEED AND ACCESSIBILITY CRITERIA</u>

- 25. The applicant states that "Castle's proposed Program is timely and necessary in light of HMC's announced closure, which has resulted in the termination of HMC-East's open heart surgery program. Physicians who have practiced at HMC, have urged Castle to open the Program and provide needed care for displaced HMC-East patients who reside in Windward as well as Leeward O`ahu. HMC-East's closure has compromised Hawaii's healthcare system, especially its ability to provide cardiac care. According to the report published in the Star-Advertiser on October 28, 2011, most of Oahu's medical centers are currently full to capacity... Castle's Program will fill in the gaps in services created by the closure of HMC-East and prevent the compromise of Hawaii's cardiac care services."
- 26. The applicant states that "...in addition to open heart surgery, the improved technical capabilities that will result from implementation of this proposal will enhance Castle's ability to provide a wider array of percutaneous coronary intervention ("PCI") procedures and vascular surgeries than can now be performed at the hospital. Accordingly, the Program will allow Castle to provide comprehensive cardiac surgery capability, with the exception of heart transplants, to residents of Windward O`ahu and others displaced from HMC-East. In addition, the Program will provide support to Castle's existing Interventional Cardiac Catheterization Lab."
- 27. The applicant states that "The proposed Program will be accessible to all residents of O`ahu, including low income persons, racial and ethnic minorities, women, people with disabilities, the elderly and the medically underserved. It is conveniently located on public transportation routes and has ample handicap accessible parking. The proposed Program will provide services to patients covered by Medicare and Medicaid, and will devote approximately 3% of its net revenues to the provision of indigent care."
- 28. The Agency finds that the need and accessibility criteria have been met.

C. <u>REGARDING QUALITY AND LICENSURE CRITERIA</u>

- 29. The applicant states that "Castle Medical Center will monitor and report the quality of the Cardiovascular Surgical Program based on recommendations from The Society of Thoracic Surgeons which include the following measures:
 - Perioperative Medical Care, a process bundle of four medications including preoperative ß-blockade and discharge aspirin, ßblockade, and lipid-lowering agents.
 - Operative Care, a single process measure—use of at least one internal mammary artery.
 - Risk-Adjusted Operative Mortality.
 - Postoperative Risk-Adjusted Major Morbidity, defined as the riskadjusted occurrence of any of the following: renal failure, deep sternal wound infection, re-exploration, stroke, or prolonged ventilation/intubation."
- 30. The applicant states that "In addition, Castle Medical Center will implement evidence based medical practices identified by The Joint Commission and Centers for Medicare and Medicaid in consensus with national quality leaders to include:
 - Recommended selection and timing of prophylactic antibiotics preoperatively
 - Recommended timing of discontinuation of prophylactic antibiotics for cardiac surgery
 - · Antiplatelet medication prescribed at discharge
 - Monitor the percent of coronary artery bypass graft patients that return to the operating room during their hospital stay."
- 31. The applicant states that "Castle Medical Center will also be using our current methods and tools of quality improvement outlined in our Quality Plan including alignment or goals, identifying opportunities for improvement through data analysis and utilizing PDCA for process improvement. Through the Premier QUEST program we will be able to compare our outcomes with the top performing hospitals in the nation and collaborate for ways to continuously achieve excellence."

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- 32. The applicant states that "Castle will comply with state and federal regulations for the delivery of care, maintenance of service equipment, and maintenance of the clinical environment. Castle is accredited by The Joint Commission, licensed by the State of Hawai'i Department of Health, and Medicare certified. The facility will be accredited by the American Association of Ambulatory Health Care."
- 33. The applicant states that "Castle is nationally recognized for the excellence of healthcare it provides. This has translated to high patient satisfaction that has exceeded Hawaii's average for inpatient satisfaction. The certified and experienced staff will work alongside Castle's board certified cardiologists and cardiothoracic surgeons to ensure that Castle provides high quality open heart surgical care."
- 34. The Agency finds that the quality and licensure criteria have been met.

D. REGARDING THE COST AND FINANCIAL CRITERIA

- 35. The applicant states that "When CVD is left untreated or treatment is postponed, CVD may result in repeat hospitalizations, necessitate costly nursing home care or result in premature mortality. By improving access to cardiac surgical treatment, the Program will encourage patients to seek, rather than postpone cardiac surgical treatment and thereby contribute to the overall lowering of health care costs in Hawai'i."
- 36. The applicant states that "Net revenue for the first year of operations is estimated at \$6,418,856, and operating expenses are projected at \$4,943,790. For the second year of operations, net revenue is projected at \$9,563,721, and operating expenses at \$6,066,740. For the third year of operations, net revenue is projected at \$10,820,178, and operating expenses at \$6,638,200."
- 37. The applicant states that "The total cost of the proposed project will be approximately \$3 million dollars, which will be paid by Adventist Health from cash reserves."
- 38. The Agency finds that the cost and financial criteria have been met.

E. <u>REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING</u> HEALTH CARE SYSTEM OF THE AREA

- 39. The applicant states that "This program is needed to replace services that are now being provided by HMC-East and will be unavailable upon closure of the HMC hospitals. Castle is the current anchor healthcare facility for the Windward communities. The proposed Program will enhance Castle's existing cardiac catheterization services by providing patients, from Windward and Leeward O`ahu, improved access to cardiac surgical treatment. This proposal will allow Castle to provide cardiac surgical treatments to patients who might otherwise have to travel to downtown Honolulu for care. The resulting delay can add to the cost of health care, may lead to the postponement of open heart surgery, and in an emergency situation diminish the likelihood of survival. The proposed Program will expedite treatment and recovery by allowing Windward and Leeward O`ahu patients an alternative to seeking treatment in downtown Honolulu."
- 40. The applicant states that "Because the patients that the Program is intended to serve are those that will be displaced by the closure of HMC-East, it will have minimal, if any, impact on the other downtown hospitals that now provide cardiac surgery services."
- 41. The Agency finds that these criteria have been met.

F. REGARDING THE AVAILABILTY OF RESOURCES

- 42. The applicant states that "The proposed Program will include additional staff for the Operating Room ("OR"), Intensive Care Unit ("ICU") and Telemetry unit. The OR will add the following staff members: 2 FTE registered nurses (RNs), 1 FTE surgical technician, 1 FTE scrub technician and 1 FTE anesthesia technician. The ICU will add 4.5 FTE RNs. The telemetry unit will add 4.5 FTE RNs. Castle is confident that qualified personnel can be acquired through inquiries and interviews with persons in the community with requisite training and experience. Castle will seek to provide employment opportunities to individuals who were formerly employed by the open heart surgery program at HMC-East."
- 43. The applicant states that "The total cost of the proposed project will be approximately \$3 million dollars, which will be paid by Adventist Health from cash reserves."
- 44. The Agency finds that the applicant has met this criterion.

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 11-23 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee, the Certificate of Need Review Panel and the Statewide Health Coordinating Council and based upon the findings of fact contained herein, the Agency concludes as follows:

The applicant has met the requisite burden of proof and has shown by a preponderance of the evidence that the Proposal meets the criteria established in Section 11-186-15, HAR.

Accordingly, the Agency hereby determines that, pursuant to Chapter 323D-43(b):

- (1) There is a public need for this Proposal; and
- (2) The cost of the Proposal will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

ORDER

Pursuant to the findings of fact and conclusions of law contained herein, IT IS HEREBY DECIDED AND ORDERED THAT:

The State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Castle Medical Center for the Proposal described in Certificate of Need application No. 11-23. The maximum capital expenditure allowed under this approval is \$3,000,000.

WRITTEN NOTICE

Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

The decision on the merits is not a final decision of the Agency when it is filed. Any person may request a public hearing for reconsideration of the decision pursuant to Section 11-186-82 HAR. The decision shall become final if no person makes a timely request for a public hearing for reconsideration of the decision. If there is a timely request for a public hearing for reconsideration of the decision and after the Agency's final action on the reconsideration, the decision shall become final.

(Note, pursuant to Chapter 323D-47, Hawaii Revised Statutes, a request for reconsideration shall be received by the Agency within ten working days of the state agency decision.)

DATED: March 1, 2012 Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

Zomala Sue Radcliffe

Romala Sue Radcliffe

Administrator